

# 1998 Resident Personal Income Tax

## Who Can Use Form 140EZ?

You can use Form 140EZ to file for 1998 if all of the following apply to you.

- You are single, or if married, you and your spouse are filing a joint return.
- You (and your spouse if married filing a joint return) are full year residents of Arizona.
- You (and your spouse if married filing a joint return) were under age 65 and not blind at the end of 1998.
- You are not claiming any dependents.
- You are not making any adjustments to income.
- You do not itemize deductions.
- You are not claiming **any** tax credits (including the family income tax credit).
- You are not making voluntary gifts through means of a refund check-off.
- You are not self-employed.
- You had income from only wages, salaries, tips, taxable scholarships and fellowships, and taxable interest of not more than \$400.
- If you are single, your Arizona taxable income is less than \$20,000.
- If you are married filing a joint return, your Arizona taxable income is less than \$40,000.

## Do You Have to File?

<b>Arizona Filing Requirements</b> <b>These rules apply to all Arizona taxpayers.</b>		
You must file if you are:	<b>AND</b> your gross income is at least:	<b>OR</b> your Arizona adjusted gross income is at least:
• Single	\$15,000	\$5,500
• Married filing jointly	\$15,000	\$11,000
• Married filing separately	\$15,000	\$5,500
• Unmarried head of household	\$15,000	\$5,500
If you are an Arizona resident, you must report income from <b>all</b> sources. This includes out-of-state income.		
To see if you have to file, figure your gross income the same as you would figure your gross income for federal income tax purposes. Then, you should exclude income Arizona law does not tax.		
Income Arizona law does not tax includes:		
<ul style="list-style-type: none"> <li>• Interest from U.S. Government obligations</li> <li>• Social security retirement benefits received under Title II of the Social Security Act</li> <li>• Benefits received under the Railroad Retirement Act</li> </ul>		

If you use this form, your Arizona adjusted gross income is the same as your federal adjusted gross income that you entered on line 6.

**NOTE:** *Even if you do not have to file, you must still file a return to get a refund of any Arizona income tax withheld.*

## Do You Have to File if You Are an American Indian?

You must file if you meet the Arizona filing requirements unless **all** the following apply to you.

- You are an enrolled member of an Indian tribe.
- You live on the reservation established for that tribe.
- You earned all of your income on that reservation.

To find out more, see Arizona Department of Revenue Income Tax Ruling ITR 96-4.

## Do You Have to File if You Are a Non-Indian or Non-Enrolled Indian Married to an American Indian?

You must file if you meet the Arizona filing requirements. For details on how to figure what income to report, see Arizona Department of Revenue Income Tax Ruling ITR 96-4.

## Do You Have to File if You Are in The Military?

You must file if you meet the Arizona filing requirements.

If you are an Arizona resident, you must report all of your income, no matter where stationed. You must include your military pay. If you were an Arizona resident when you entered the service, you remain an Arizona resident until you establish a new domicile.

If you are not an Arizona resident, but stationed in Arizona, the following applies to you.

- You are not subject to Arizona income tax on your military pay.
- You must report any other income you earn in Arizona. Use Form 140NR, *Nonresident Personal Income Tax Return*, to report this income.

To find out more, see Arizona Department of Revenue brochure, Pub 704, *Taxpayers in the Military*.

## Residency Status

If you are not sure if you are an Arizona resident for state income tax purposes, you should get Arizona Department of Revenue Income Tax Procedure ITP 92-1.

## Residents

You are a resident of Arizona if your domicile is in Arizona. Domicile is the place where you have your permanent home. It is where you intend to return if you are living or working temporarily in another state or country. If you leave Arizona for a temporary period, you are still an

Arizona resident while gone. A resident is subject to tax on all income no matter where the resident earns the income.

### Part-Year Residents

If you are a part-year resident, you must file Form 140PY, *Part-Year Resident Personal Income Tax Return*.

You are a part-year resident if you did either of the following during 1998.

- You moved into Arizona with the intent of becoming a resident.
- You moved out of Arizona with the intent of giving up your Arizona residency.

### Nonresidents

If you are a nonresident, you must file Form 140NR, *Nonresident Personal Income Tax Return*.

### What if a Taxpayer Died?

If a taxpayer died before filing a return for 1998, the taxpayer's spouse or personal representative may have to file and sign a return for that taxpayer. If the deceased taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

The person who files the return should use the form the taxpayer would have used. **If the department mailed the taxpayer a booklet, do not use the label.** The person who files the return should print the word "deceased" after the decedent's name in the address section of the form. Also enter the date of death after the decedent's name.

If your spouse died in 1998 and you did not remarry in 1998, or if your spouse died in 1999 before filing a return for 1998, you may file a joint return. If your spouse died in 1998, the joint return should show your spouse's 1998 income before death, and your income for all of 1998. If your spouse died in 1999, before filing the 1998 return, the joint return should show all of your income and all of your spouse's income for 1998. Print "Filing as surviving spouse" in the area where you sign the return. If someone else is the personal representative, he or she must also sign the return.

### Are Any Other Returns Required?

You may also have to file fiduciary income tax or estate tax returns. For details, call the department at (602) 542-4022.

### Claiming a Refund For a Deceased Taxpayer

If you are claiming a refund, you **must** complete Form 131, *Claim for Refund on Behalf of Deceased Taxpayer*. Attach this form to the **front** of the return.

## What Are the Filing Dates And Penalties?

### When Should You File?

Your 1998 tax return is due no later than midnight, April 15, 1999. File your return as soon as you can after January 1, but no later than April 15, 1999.

### What if You Cannot File on Time?

You may request an extension if you know you will not be able to file on time.

**NOTE:** An extension does not extend the time to pay your income tax. For details, see the instructions for Arizona Form 204.

#### To get a filing extension, you can either:

1. Apply for a state extension (Form 204). To apply for a state extension, file Arizona Form 204 by April 15. See Form 204 for details.
2. You may use your federal extension (federal Form 4868 or 2688). File your Arizona return by the same due date. You must attach a copy of the federal extension to the front of your return. If you use federal Form 2688, the IRS must have approved the extension. If you must make a payment, use Arizona Form 204 instead.

**Attach a copy of your extension to the front of your return when you file.**

### When Should You File if You Are a Nonresident Alien?

You must file your Arizona tax return by April 15, even though your federal income tax return is due on June 15. If you want to file your Arizona return when you file your federal return, you may ask for an extension. See Form 204 for extension filing details.

### What if You File or Pay Late?

If you file or pay late, the department can charge you interest and penalties on the amount you owe. If the U.S. Post Office postmarks your return by April 15, 1999, your 1998 return will not be late.

#### Late Filing Penalty

If you file late, the department can charge you a late filing penalty. This penalty is 5 percent of the tax found to be remaining due for each month or fraction of a month the return is late. This penalty cannot exceed 25 percent of the tax found to be remaining due.

#### Late Payment Penalty

If you pay your tax late, the department can charge you a late payment penalty. This penalty is 10 percent of the tax not paid on time.

#### Extension Underpayment Penalty

If you file your return under an extension, you must pay 90 percent of the tax shown on your return by the return's original due date. If you do not pay this amount, the department can charge you a penalty. The department can also charge you this penalty if you do not attach the extension to your return when you file. This penalty is one-half of one percent (.005) of the tax not paid for each 30 day period or fraction of a 30 day period. The department charges this penalty from the original due date of the return.

until the date you pay the tax. This penalty cannot exceed 25 percent of the unpaid tax.

**NOTE:** *If you are subject to two or more of the above penalties, the total cannot exceed 25 percent.*

## Interest

The department charges interest on any tax not paid by the due date. The department will charge you interest even if you have an extension. If you have an extension, the department will charge you interest from the original due date until the date you pay the tax. The Arizona rate of interest is the same as the federal rate.

## When Should You Amend a Return?

If you need to make changes to your return once you have filed, you should file Form 140X, *Individual Amended Return*. **Do not** file a new return for the year you are correcting. Generally, you have four years to amend a return to claim a refund.

If the Internal Revenue Service makes a change to your federal taxable income for any year, you must file a Form 140X for that year. In this case, you must amend your Arizona return within 90 days of the change. Attach a complete copy of the federal notice to your Form 140X.

If you amend your federal return for any year, you must also file a Form 140X for that year. You must file the Form 140X within 90 days of amending your federal return.

## Line-by-Line Instructions

### Tips For Preparing Your Return:

- Complete your return using black ink.
- You must round dollar amounts to the nearest whole dollar. If 50 cents or more, round up to the next dollar; if less than 50 cents, round down.
- You must complete your federal return before you can start your Arizona return.
- Make sure you include your home telephone number. If your daytime number is not the same as your home number, make sure you also include a daytime telephone number.

## Entering Your Name, Address, and Social Security Number (SSN)

### Lines 1, 2, and 3 -

If your booklet has a peel-off label, use that label if all the information is correct. **If any of the information on the label is incorrect, do not use the label.** Attach the label after you finish your return. If you do not have a peel-off label, print or type your name, address, and SSN in the space provided. If you are a nonresident of the United States or a resident alien who does not have an SSN use the identification number (ITIN) the IRS issued to you.

If you are filing a joint return, enter your SSNs in the same order as your first names. *If your name appears first on the return, make sure your SSN is the first number listed.* If you and your spouse have different last names, write the word "and" between your last names. Put your last names in the same order as your first names and SSNs. In this case, the department will issue any refund under the last name listed first on the return.

For a deceased taxpayer, see page 2 of these instructions.

Use your current home address. The department will send your refund or correspond with you at that address.

**NOTE:** *Make sure your SSN is correct. If you are filing a joint return, also make sure you list your SSNs in the same order every year.*

Make sure that every return, statement, or document that you file with the department has your SSN. Make sure that all SSNs are clear and correct. You may be subject to a penalty if you fail to include your SSN. It may take longer to process your return if SSNs are missing, incorrect, or unclear.

## Identification Numbers for Paid Preparers

If you pay someone else to prepare your return, that person must also include an identification number where asked.

A paid preparer may use either of the following.

- his or her SSN
- the federal employer identification number for the business

A paid preparer who fails to include the proper numbers may also be subject to a penalty.

## Your Filing Status

### Line 4 Box - Married Filing a Joint Return

You may use this filing status if married as of December 31, 1998. It does not matter whether or not you were living with your spouse. You may use this filing status if your spouse died during 1998 and you did not remarry in 1998. See page 2 of these instructions for details.

### Line 5 Box - Single

Use this filing status if you were single on December 31, 1998. You are single if any of the following apply to you.

- You have never been married.
- You are legally separated under a decree of divorce or of separate maintenance.
- You were widowed before January 1, 1998, and you did not remarry in 1998, and you do not qualify to file as a qualifying widow or widower with dependent children on your federal return.

**Income****Line 6 - Federal Adjusted Gross Income**

You must complete your federal return before you enter an amount on line 6. You must complete a 1998 federal return to figure your federal adjusted gross income. You must complete a federal return even if you do not have to file a federal return.

**Figuring Your Tax****Line 7 - Standard Deduction and Personal Exemption**

If your filing status is:	Your standard deduction and personal exemption are:
Married filing jointly	\$ 11,400
Single	\$ 5,700

**Line 8 - Arizona Taxable Income**

Subtract line 7 from line 6 and enter the result. Use this amount to find your tax using the Optional Tax Rate Tables.

**Line 9 - Tax Amount**

Enter the tax from the Optional Tax Rate Tables.

**Payments****Line 10 - Arizona Income Tax Withheld**

Enter the Arizona income tax withheld shown on the Form(s) W-2 from your employer. Attach the Form(s) W-2 to the front of your return.

**NOTE:** You should receive your Form(s) W-2 no later than January 31. If you did not receive a Form W-2 or you think your Form W-2 is wrong, contact your employer.

**Line 11 - Amount Paid With 1998 Extension Request (Form 204)**

Use this line to report the payment you sent with your extension request.

**Refund or Tax Due****Line 13 - Refund**

If line 12 is more than line 9, subtract line 9 from line 12.

If you owe money to any state agency and certain federal agencies, your refund may go to pay some of the debt. If so, the department will let you know by letter.

**Tax Tip:** If you change your address before you get your refund, let the department know. Write to: Refund Desk, Arizona Department of Revenue, 1600 W Monroe, Phoenix AZ 85007. Make sure that you include your SSN in your letter.

**Line 14 - Tax Due**

If line 9 is more than line 12, you have tax due. Subtract line 12 from line 9.

Make your check payable to Arizona Department of Revenue. Write your social security number on the front of your check or money order. Attach your check or money order to the front of your return where shown.

The department cannot accept checks or money orders in foreign currency. You must make payment in U.S. dollars.

**Line 15 - Different Last Names**

If you filed an Arizona tax return within the past four years with a different last name, enter your prior last name(s).

**Sign Your Return**

You must sign your return. If married filing a joint return, both you and your spouse must sign even if only one had income. The department cannot send a refund check if you, and your spouse if married filing jointly, fail to sign the return.

**Instructions Before Mailing**

- Be sure you enter your home telephone number in the space provided on the front of your return. If your daytime telephone number is not the same as your home number, also enter a daytime number.
- Check to make sure that your math is correct. A math error can cause delays in processing your return.
- Make sure your **NAME** is on the return. If you received your return in the mail, use the peel-off label. **If the label is not correct, do not use it.**
- Check the **boxes** to make sure you filled in all required boxes.
- Sign your return and have your spouse sign if filing jointly.
- Attach **all** required documents.
  1. Attach *Form(s) W-2* to the **front** of the return.
  2. Write your SSN on the front of your check. Make sure that you attach your **check** to the **front** of the return.

The department may charge you \$25 for a check returned unpaid by your financial institution.

**Filing Your Return**

To mail your return, use the envelope that came in your booklet. If it is missing, send the return to: Arizona Department of Revenue, PO Box 29002, Phoenix AZ 85038-9002.

**Make sure you put enough postage on the envelope.**

The U.S. Post Office must postmark your return or extension request by midnight April 15. A postage meter postmark will not qualify as a timely postmark. *Only a postmark from the U.S. Post Office will qualify.*

**How Long to Keep Your Return**

Keep your records as long as they are important for any Arizona tax law. Keep all records that support your income and deductions for a tax year until the period of limitations expires for the return for that tax year. A period of limitations is the limited time after which no legal action can be brought. Usually, this is four years from the date the return was due or filed.

In some cases, the limitation period is longer than four years. The period is six years from when you file a return if you under report the income shown on that return by more than 25 percent. The department can bring an action at any time if a return is false or fraudulent, or you do not file a return.

**When to Expect Your Refund**

Expect your refund in the mail within 8 weeks of the date you filed. If you have not received your refund by that time, call the department at one of the phone numbers listed on the quick and easy access to tax help and forms page.

**HOW MUCH INCOME CAN YOU HAVE AND PAY NO TAXES?**

You still have to file a return, but you pay no taxes if your income is less than the levels shown in the chart below. These thresholds were raised as a result of the tax cuts in 1998. (Laws 1998, 4<sup>th</sup> Special Session, Ch. 3)

NUMBER OF DEPENDENTS	FILING STATUS			
	SINGLE	MARRIED FILING SEPARATE	UNMARRIED HEAD OF HOUSEHOLD	MARRIED FILING JOINT
0	\$ 7,100	\$ 7,100	N/A	\$ 14,200
1	(A) 10,000	10,000	16,500	20,000
2	10,300	11,350	20,135	23,600
3	12,600	13,650	23,800	27,300
4	14,900	15,950	25,200	(C) 31,000
5	17,200	18,250	(B) 26,575	31,000

**EXAMPLES**

	(A) single, \$10,000 income, one dependent	(B) unmarried head of household, \$26,575 income, five dependents	(C) married filing joint, \$31,000 income, four dependents
Income	\$ 10,000	\$ 26,575	\$ 31,000
less: Dependent exemption	-2,300	-11,500	-9,200
Standard deduction	-3,600	-7,200	-7,200
Personal exemption	-2,100	-4,200	-6,300
Net taxable income	\$ 2,000	\$ 3,675	\$ 8,300
Tax (optional tax table)	\$ 58	\$ 106	\$ 240
less: Family tax credit	-80	-240	-240
<b>Tax owed</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>